Modernizing Canadian Foreign Aid and Development: Challenges old and new

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PREFACE

This paper is one of a series of four reports prepared for the Walter and Duncan Gordon Foundation in 2010. They result from a Foundation-directed project to help "re-imagine" the way in which Canada delivers foreign aid and development.

Criticism of Canadian foreign aid, in general, and the Canadian International Development Agency (CIDA), in particular, is not new. But the current crisis of confidence in the effectiveness of Canada's aid and development efforts appears to have reached a high water mark.

The Foundation shares a concern voiced by many others; Canada's reputation on the world stage is at risk if we don't institute a fundamental transformation to our existing aid and development programs. This series of papers attempts to identify some of the challenges, opportunities and options that must be considered to effect the kind of modernization that is required.

The other papers in this series include: (i) *A New National Project for Canadian Development Cooperation* prepared by Liam Swiss with the assistance of Simon Maxwell (ii) *Re-imagining Canadian Development Cooperation: A comparative examination of Norway and the UK* by Nilima Gulrajani and (iii) *Future Directions for Canadian Foreign Aid and Development: Summary of a roundtable discussion*. All papers can be downloaded from the Foundation's website at **www.gordonfn.org**.

July 2010
Toronto

ABSTRACT

This paper begins with a summary of long standing challenges to Canada's foreign aid program. It argues that, if Canada is to improve the overall performance of its foreign aid program, it must resolve the problems posed by a diffusion of authority and responsibility, the lack of an agreed aid mandate, limited public understanding and fickle financial support. The paper also surveys some of the new and emerging development trends that suggest a fundamental reform of Canada's aid program is more important today than ever before. Finally, the paper identifies two of the key barriers to the modernization of Canadian foreign aid.

PART I - INTRODUCTION

CANADA AT ITS BEST

In early January 2010, as many Canadians were getting back to their daily routines following the Christmas and New Year's festivities, an earthquake ravaged Haiti. The devastation was almost incomprehensible and resulted in a massive aid and relief effort by the international community.

Within a matter of hours, members of Canada's Disaster Assistance Relief Team (DART) were deployed and on their way to Haiti. They were followed soon after by aid and consular officials and members of the Canadian forces who set up a field hospital and water purification plants. An interdepartmental task force on natural disasters coordinated the efforts of all the federal ministries involved including the Canadian International Development Agency (CIDA),the Department of Foreign Affairs and International Trade (DFAIT), the Canadian forces, Public Safety Canada, the RCMP, Citizenship and Immigration, the Canadian Border Services Agency and the Privy Council Office.

Individual Canadians also responded immediately by making charitable donations to Canadian based international development Non-Governmental Organizations (NGO's) which were on the ground in Haiti. Within days, the federal government agreed to cost-share charitable donations which, in turn, generated even more financial support from individual Canadians. Six weeks after the earthquake, it was estimated that Canadians had donated $130 million for Haitian relief. Speaking in Davos to the World Economic Forum, former U.S. President, Bill Clinton, publicly hailed Canada's efforts in Haiti as "unbelievable".[1]

Canada's response was not restricted to meeting the immediate needs of suffering Haitians, however. The Canadian government took the lead in organizing an international conference in Montreal. Foreign Affairs Minister, Lawrence Cannon, convened representatives of 11 other countries as well as international financial institutions like the

[1] "Bill Clinton praises Canada's Haiti Effort", The Globe and Mail, 28 January 2010.

Inter-American Development Bank. Held within two weeks of the earthquake, the conference began to lay the groundwork for the recovery and reconstruction efforts that would inevitably have to follow the initial humanitarian and relief efforts.

EXCEPTION TO THE RULE

The Canadian government's relief efforts in Haiti, and our leadership role to mobilise other donors, was well received by Canadians. An opinion poll released by Decima Harris on 27 January 2010 reported that 71% of respondents believed that the federal government's response was either good or excellent.[2] Editorial comments were glowing in their praise for the government.[3]

The fact that we were able to mount an effective response in Haiti shouldn't be that surprising. Canada has a long history in Haiti and it is the second largest recipient of Canadian foreign aid. The public praise was noteworthy, however. It stood in stark contrast to the almost universally negative tenor of most recent commentary about Canadian foreign aid efforts.

Not surprisingly, most of that criticism has been directed at CIDA which, for most Canadians, is the public face of our foreign aid and development initiatives. In addition, the bulk of federal expenditures on foreign aid are channelled through CIDA. While other federal departments share in the shortcomings of Canada's aid and development efforts, that fact is lost on most. To some degree, CIDA has become a convenient punching bag for failures of the federal government as a whole.

In the years immediately following its establishment in 1968, CIDA—and Canada—developed an enviable international reputation for cutting edge development practices. It was also attracting employees who were amongst the best and the brightest of public

[2] http://www.harrisdecima.ca/sites/default/files/releases/2010/01/28/hd-2010-01-28-en443.pdf

[3] The Canadian government was criticized for poor follow up, however, with delays in putting to use the federal funds committed to match donations from individuals. And, although $400 million was committed to the multi-donor fund in March, by July only $30 million had been allocated.

servants. In 1969, 10 of the top 15 graduates of the federal government's training program for new recruits went to work for CIDA.[4]

"Cutting edge" is not a description that most people would use to describe CIDA today. In fact, CIDA has become a federal agency that many people love to hate. Bureaucratic, hidebound, out-of-touch, ineffectual, risk averse, contradictory, vacillating—these and many similar criticisms of CIDA have now become commonplace from both proponents and critics of aid.

Whether all such criticisms of CIDA are accurate or warranted is now almost beside the point. There exists now such a degree of cynicism and despair about CIDA that the situation can fairly be described as having reached a crisis of confidence. While there is a reservoir of goodwill and sympathy for the current staff and management of CIDA, there is, equally, a sense that the best managers in the world won't make much of a difference. The problems that continue to bedevil CIDA go well beyond the agency's ability to resolve on its own. In the view of many people, nothing less than fundamental cross-government reform of our whole approach to aid and development is required.

This crisis of confidence is the starting point for this paper.

[4] Morrison (1998), p. 64.

PART II – LONG STANDING CHALLENGES

PUNCHING BELOW OUR WEIGHT

While generous in their support of relief efforts immediately following the earthquake, the attention of most Canadians was soon diverted in early 2010 from Haiti to Vancouver which was hosting the Winter Olympics.

The Vancouver Olympics got off to a rocky start in part because of the "Own the Podium" program. The brash, aggressive and almost triumphal attempt to identify and support Canadian Olympians with the greatest likelihood of achieving Olympic gold was, initially, decried as being un-Canadian. By the end of the Olympics, however, with Canada having achieved the most number of gold medals, "Own the Podium" became a source of pride for many. It was hailed as a strategic and brilliant effort that enabled Canada and Canadians to "punch above our weight."

Unfortunately, Canada's aid and development program has never had the equivalent of the "Own the Podium" strategy.

As this paper was being prepared, several senior economists at the World Bank released a report entitled "Aid Quality and Donor Rankings".[5] The report attempted to assess and rank 38 major donors on the quality of aid delivered. Most of the donors were countries belonging to the Organization for Economic Cooperation and Development (OECD) but multilateral donors like the Asian Development Bank and the United Nations were also included.

The World Bank report was able to build on previous efforts to assess and compare donor performance by the Center for Global Development and economists William Easterly and Tobias Pfutze. More importantly, it was able to integrate new aid quality indicators contained in the 2005 Paris Declaration. So, for example, donors were also ranked on the extent to which aid was predictable, harmonized with other donors and aligned with priorities of recipient countries.

[5] Knack et al (2010).

While such rankings are not without their faults, they can be helpful as a way to benchmark Canadian efforts against other donors we consider peers. And how do we measure up in terms of quality of aid? Using 2007 data, the World Bank ranked Canada in 29th place of 38 donors surveyed.

It might be tempting to dismiss the World Bank report as anomalous but, unfortunately, that isn't the case. Whether one considers the assessments of Easterly and Pfutze [6], the Center for Development's Commitment to Development Index or the OECD rankings of the proportion of a country's Gross National Income (GNI) devoted to aid, Canada consistently falls into the bottom half and even the bottom third of the donors surveyed. The only other consistency is the apparent indifference of a long succession of Canadian governments—Conservative and Liberal—to our mediocre performance.

The balance of this section will attempt to summarize the key factors that have and continue to contribute to that underperformance. Depressingly, the problems confronting Canadian foreign aid today have changed remarkably little since David Morrison published his seminal history of CIDA in 1998.[7] Many of the shortcomings documented by Morrison more than a decade ago have been reiterated ever since by a multitude of authors in a variety of studies and reports. The most recent critique in this series is a paper prepared by former DFAIT officials Gordon Smith and Barry Carin.[8] While the following summary contains little that hasn't already been said by others, it is being included as a reminder of Edmund Burke's advice that "those who don't know history are destined to repeat it".

While CIDA serves as a central reference point for this paper, it is a mistake to focus only on CIDA as too many of its' critics seem inclined to do. In fact, if there is one key take-away from this paper it is this; in order to understand the shortcomings of Canada's aid and development program, it is necessary to look beyond CIDA and, in fact, to look beyond Canada's borders. Many of the challenges we face are not unique to CIDA nor are they unique to Canada.

[6] http://www.brookings.edu/~/media/Files/rc/papers/2008/06_foreign_aid_easterly/06_foreign_aid_easterly.pdf
[7] Morrison (1998).
[8] Barry Carin and Gordon Smith (2010). The authors also provide a useful chronology of four decades of reviews and studies of Canadian foreign aid on pp. 4–5.

THE DIFFUSION OF POWER

Official Development Assistance (ODA) is the technical term used to describe what the layperson would know as foreign aid. The calculation of the activities and expenditures to be included in ODA is made by the members of OECD's Development Assistance Committee (DAC). Canada has been an active member of the DAC since its inception and uses the ODA definition of aid.

In 2008–2009, CIDA's ODA expenditures amounted to $3.575 billion.[9] The more revealing figure, however, was the fact that $1.279 billion or more than 26% of total Canadian ODA expenditures of $4.854 billion were channelled through departments other than CIDA. Canadian foreign aid was delivered not only by CIDA but by Finance Canada, the Department of Foreign Affairs and International Trade (DFAIT) and a number of other federal organizations.

Not only is CIDA but one of several federal departments making foreign aid decisions, it may not even be the most important player. As a policy advisor to a former CIDA Minister said, "CIDA has most of the money but the real power lies elsewhere."[10]

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (DFAIT)

The example of Canada's response to the earthquake in Haiti provides a concrete example of the diffusion of responsibility for aid across a number of federal organizations.

The Haiti relief effort was a classic example of humanitarian aid but Canada's response was not led by the aid agency, CIDA. Rather, DFAIT was running the whole operation. It was Foreign Affairs Minister Cannon who took the lead and became the spokesperson on behalf of the Cabinet and the government. And, it was Elissa Goldberg, a DFAIT Director General who runs the Stabilization and Reconstruction Task Force (START) who chaired the interdepartmental task force which co-ordinated a whole-of-government response. CIDA played an important role in the relief efforts but so, too, did other federal organizations.

[9] CIDA, (2010).
[10] During a private conversation.

The role of DFAIT in Haiti was not atypical. DFAIT and its predecessor department, External Affairs, have always played a key role in decisions about foreign aid.

Of total ODA expenditures in 2008–2009, $277 million was disbursed directly by DFAIT. The lion's share of ODA spending by DFAIT was allocated for security and stability initiatives in 3 countries that are Canadian foreign aid priorities—Haiti, Afghanistan and the Sudan. DFAIT also disbursed ODA funds directly to a number of multilateral organizations ranging from the World Health Organizations to the UN Food and Agriculture Organization.

But, DFAIT's influence has historically been much greater than their relatively small ODA expenditures suggest. This is best illustrated by the relationship between the DFAIT Minister and the CIDA Minister.

While CIDA Ministers have often been described and decried as relatively weak and ineffectual, this is not simply happenstance. The CIDA Minister is junior to the Foreign Affairs Minister. In fact, the subservient role of the International Cooperation Minister is enshrined in legislation. The Department of Foreign Affairs and International Trade Act establishes the powers, duties and functions of the DFAIT Minister as "including international trade and commerce and international development."[11] In addition, the legislation stipulates that the DFAIT Minister has "control and supervision of the Canadian International Development Agency". While the Act allows that a Minister for International Cooperation "may be appointed" his or her role is "to assist the (DFAIT) Minister in carrying out the (DFAIT) Minister's responsibilities relating to the conduct of Canada's international relations."

The relationship between CIDA and DFAIT/External Affairs has ebbed and flowed ever since the agency's establishment in 1968 often depending on the personalities of the Minister and/or President of the day. But any attempt by CIDA to increase its independence and influence has been quickly nipped in the bud. David Morrison's description of the early days of CIDA applies today. "The history of interdepartmental relations suggests, however, that every effort to enhance CIDA's autonomy (under Strong, Gérin-Lajoie, and Massé

[11] See http://laws.justice.gc.ca/en/E-22/index.html

[early CIDA Presidents]) provoked a strong reaction, aimed at putting the Agency under the thumb of External/Foreign Affairs." [12]

FINANCE CANADA

As keeper of the federal budget and a powerful central agency, Finance Canada has relationships with and exerts influence over all federal departments and organizations. This is especially the case with respect to CIDA. In fact, with direct ODA allocations of $676 million in 2008-2009, Finance Canada is the second largest federal funder of foreign aid.

Finance Canada's aid roles and responsibilities are exercised primarily through the World Bank and, to a lesser degree, through the International Monetary Fund. The bulk of ODA spending allocated by Finance supports the provision by the World Bank of interest free loans and grants to poor countries. Finance ODA funding is also directed towards debt cancellation for heavily indebted poor countries.

Although poverty reduction is the stated mission of the World Bank, it is the Finance Minister, not the Minister for International Cooperation who serves as the Canadian governor on the board of the World Bank.

There is some recent evidence to suggest the Finance Canada wants to play a more direct and active role in development. In the federal budget of 2008 Finance established the Development Innovation Fund (DIF) intended to enable the best minds in the world to seek solutions to global health problems.[13]

In May 2010, Finance Minister Flaherty delivered a speech in Toronto to launch a new organization called Grand Challenges Canada and committed $225 million of DIF funding over five years. With the fund's global health focus, Grand Challenges Canada was described as "an innovative initiative that will help redefine Canada's role in the developing world".[14]

[12] Morrison, (1998) p. 401.
[13] See http://www.budget.gc.ca/2008/plan/chap4b-eng.html#development
[14] See http://www.grandchallenges.ca/html/news/pressReleases/20100503launch.shtml

During the official launch of the organization, a number of partners were acknowledged and thanked including the Canadian Institutes of Health Research, the Bill and Melinda Gates Foundation and the International Development Research Centre (IDRC) which will lead the federal government's involvement. The absence of any reference to or linkage with CIDA was striking.

OTHER FEDERAL DEPARTMENTS

While CIDA, DFAIT and Finance account for the bulk of the Canadian government's foreign aid spending, many other federal departments undertake activities that are counted as part of Canadian ODA expenditures.

A report submitted to Parliament in the fall of 2009, as required by the Official Assistance Development Accountability Act, detailed the ODA expenditures of 9 other federal departments. They included: the International Development Research Centre, Citizenship and Immigration Canada, the Royal Canadian Mounted Police, the Department of National Defence, Health Canada, Environment Canada, Labour Canada, Industry Canada and Parks Canada.[15]

Even then, the report didn't describe the full extent of involvement of other federal organizations. The Treasury Board has a role to play in approving CIDA contracts above a certain threshold, for example. And, as Canada has evolved into what some have called the "audit society", the Office of the Auditor General (OAG) continues to exert more control and influence over foreign aid, especially with respect to CIDA. In fact, the OAG website lists more than 30 CIDA related reports it has issued since 1982.[16] [17] And, given the increasing power of the Executive branch of government, it would be naïve to underestimate the authority asserted by the Prime Minister's Office over major decisions about foreign aid.

[15] CIDA, (2009).
[16] http://www.oag-bvg.gc.ca/internet/English/parl_lpf_e_1222.html
[17] A former USAID administrator has described the negative development impacts resulting from an obsession with regulation and accountability and the ensuing hordes of auditors, lawyers, accountants and contracts officers http://www.cgdev.org/content/publications/detail/1424271/

MULTIPLE, MUDDLED AND MOVING MANDATES

While shifting priorities has been one of the constants in the history of Canadian foreign aid, mitigating the effects of poverty has always been an aid objective. But fighting poverty has never been the sole objective of Canadian foreign aid. Historically, considerations of Canada's political and commercial interests have been important factors in shaping where and how Canada provided foreign aid. The fact that Canadian foreign aid has objectives other than fighting poverty has only rarely been articulated and almost never questioned.

FIGHTING POVERTY

Most Canadians, if asked, would likely say that Canadian expenditures on foreign aid are intended to alleviate and ameliorate the circumstances of poor people living in poor countries. That view is reinforced by CIDA's website which states that its' mission is to "lead Canada's international effort to help people living in poverty." [18]

While fighting poverty and meeting the basic human needs of poor people in developing countries has always been a central objective of Canadian foreign aid, the internal debate within government has focused more on the primacy of poverty as an aid objective relative to political and commercial goals. Nor has there been any consensus about how best to fight poverty.

A constant criticism of Canada has been that our foreign aid priorities and the countries with which we work are in constant flux. In acknowledging such criticisms, the current Conservative government expressed its determination to bring more focus to Canada's foreign aid program

In a major speech delivered in May 2009, International Cooperation Minister, Bev Oda, began by stating that, henceforth, CIDA would have 3 priorities: (i) increasing food security (ii) promoting sustainable economic development and (iii) children and youth.[19]

[18] http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NIC-5493749-HZK

[19] http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/NAT-5208469-GYW

She continued, however, by saying that our foreign aid activities would be guided by the "complementary" themes of (iv) promotion of democracy and (v) ensuring security and stability and the "integrating" themes of (vi) governance (vii) environment and (vii) equality. Finally, Minister Oda committed to ensuring that our foreign aid program would incorporate the promotion of (ix) freedom (x) human rights and (xi) the rule of law.

What sounded like a focused commitment to 3 priorities at the beginning of her speech sounded more like a shopping list of 11 priorities by the time she had ended. While the three initial priorities mentioned by the Minister have a clear link to CIDA's stated mission, the relationship between poverty and some of the other themes she mentioned is more tenuous.

The problem, of course, is that every one of the issues and themes articulated by the Minister has its own constituency. The Minister essentially gave license to those who believe that security or the promotion of democracy or environment protection are the most important aid policy objectives to judge the aid program on that basis.

To further complicate things, Prime Minister Harper used the January 2010 meeting of the World Economic Forum to announce that the G-8 meeting in Muskoka would have a significant focus on development and the issue of maternal and child health, in particular. As Chair of the 2010 G-8 meeting, Canada was following the tradition that allows the host country to play a key role in establishing the agenda. Indicating the priority the government attached to the issue, the commitment to maternal and child health was reiterated both in the 2010 Speech from the Throne and the 2010 federal budget. And, in the lead up to the G-8 meeting, Canada committed $1.1 billion in addition to the $1.75 billion it had previously committed to maternal and child health. Although this additional amount was described as "new" money, it is more properly depicted as re-allocated money. The 2010 federal budget had already frozen future aid spending at 2010 levels so any "new' commitments could only be funded by cutting spending in other aid areas. [20]

With the exception of the decision about abortion services, the federal government's commitment to maternal and child health was widely applauded. (The federal government generated confusion, controversy and criticism by declaring that abortion services would

[20] http://www.theglobeandmail.com/news/world/g8-g20/maternal/canada-ready-to-pay-1-billion-for-maternal-health-programs/article1585836/

not be eligible for funding.) But, improving the health of pregnant women and children is one of the Millennium Development Goals (MDG's) and entirely consistent with CIDA's mission to fight poverty. And, it was referenced, in passing, during Bev Oda's speech as an example of an initiative consistent with a children and youth priority. But there was no hint in Oda's speech that, within a matter of months, the issue would become the kind of flagship priority entailed by the Prime Minister's G-8 commitment.

The maternal and child health issue provided a "real-time" example of one of the continuing shortcomings of Canada's aid program.

While some ebbing and flowing of aid priorities is inevitable, Canada has vacillated more than many other countries. The primacy given to maternal and child health in 2010, which seemingly came out of nowhere, may simply be an example of "more of the same". Sceptics might be forgiven for wondering whether the focus on maternal and child health was driven more by Canada's need as G-8 host to have a lead issue. Only the future will tell whether maternal and child health continues to be accorded the priority it now has or whether, five years from now, it will be considered as the aid "flavour of the month."

FURTHERING SECURITY AND DIPLOMATIC OBJECTIVES

One has only to look at the current list of countries that CIDA identifies as priority recipients of foreign aid to understand the influence that security and diplomatic considerations has over aid decisions. If fighting poverty was the sole objective of foreign aid, one would expect that the priority countries would be the poorest countries or countries with the largest number of poor people.

As mentioned, Haiti is the second largest recipient of Canadian foreign aid which is entirely consistent if fighting poverty is the focus. It is harder to explain the presence on the priority list of countries like Ukraine, Indonesia or Peru. Clearly, poverty was not the principal concern that led to those countries being identified as CIDA priorities. And, the extent of our involvement in Afghanistan is hard to justify from a poverty perspective. Afghanistan is and has been the single largest recipient of Canadian foreign aid for a number of years. While Afghanistan is hardly a rich country nor is it the poorest country. And with a total population less than Canada's, it contains a relatively small proportion of the world's poor.

The multiple objectives of foreign aid have been hard wired into our aid program since CIDA's inception in 1968. According to Maurice Strong, CIDA's first President, an organizational structure like a crown corporation that operated with a legislated mandate was initially considered. The decision makers of the time, however, ultimately decided against both. Strong defended this position by arguing that clarification of the mandate would provide a target for other, stronger departments to circumscribe CIDA's mandate and that the more vague the mandate, the better. "Although it's true that we couldn't state absolutely that our mandate gave us the right to do *x* or *y,* nor could anyone else say that our mandate did not give us that right." [21]

The reverse is also true, of course, with others able to advocate for a very broad aid mandate and CIDA having no rejoinder.

The fact that our foreign aid programme has had multiple objectives has only rarely been acknowledged by the government. One exception where the implicit became explicit, resulted from a 1978 exercise to review existing aid policy. External Affairs took the lead on the review through an Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC). A task force was established to reassess aid eligibility criteria and comprised representatives from Industry, Trade and Commerce, Finance, the Treasury board, the Privy Council Office and CIDA. The task force suggested an aid eligibility formula that would assign a weight to 4 factors; (i) a country's need (ii) its' political relations with Canada (iii) the economic performance of the country and (iv) commercial relations. The weighting of each of these factors was a ratio of 40:25:20:15 respectively.[22]

While this formulaic approach wasn't implemented, it did reflect an internal consensus. And, while rarely acknowledged, previous foreign aid decisions and expenditures have been employed as a means of countering communism (and now terrorism), strengthening our relations with our allies in NATO, the Commonwealth or La Francophonie and even as a bulwark against separatist sentiment in Quebec. In such situations, aid allocations were made having little, if any, relationship to poverty.

[21] Morrison (1998), p. 63.
[22] Ibid, p. 155.

SUPPORTING COMMERCIAL INTERESTS

Few Canadians understand the extent to which Canadian foreign aid expenditures have furthered Canadian commercial interests.

The best example of this practice, known as "tied aid", offers assistance conditional on the recipient country purchasing goods and services from Canadian suppliers. So, food aid would be provided but contingent on the purchase of wheat from Canadian farmers, for example. Or, financial support for the building of roads or dams would be offered conditional on the use of Canadian engineering or construction firms.

The practice of linking aid and Canadian commercial interests is a long standing one.

In 1959, a Cabinet memorandum articulated the rationale as follows: *"They not only provide employment for Canadians, ... but also tend to have an appreciable impact on operations of Canadian manufacturers of capital goods ..."*[23]. In 1978, the aid allocation formula proposed by ICERDC (see above) suggested a weighting of 15% for commercial relations. More recently, a 2008 report on Canada's engagement with the World Bank touted as a significant benefit to Canada the "business opportunities for Canadian companies and individuals, through its transparent and fair procurement system" which were estimated to amount to almost $150 million between 20006–2008.[24]

Using aid to strengthen Canadian commercial interests is a policy that has been pursued by both Conservative and Liberal governments.

In an October 1979 speech to the Empire Club, Conservative External Affairs Minister, Flora MacDonald, openly questioned why aid spending wasn't more explicitly linked to furthering trade. "*Have we taken into account the economic returns Canada may expect in both the short term and the long term?*", she asked. [25] More than 15 years later, André Ouellet, a

[23] Morrison (1998), p. 15.
[24] See http://www.fin.gc.ca/bretwood/bretwd08_2-eng.asp#annex10
[25] Morrison (1998), p. 160.

Liberal successor to MacDonald as Foreign Affairs Minister, made clear his preference to steer aid expenditures to Canadian, and especially Quebec, private sector suppliers.[26]

Canada was not alone in tying foreign aid to the use of domestic suppliers of goods and services but many donors have long since discontinued the practice. It was recognized that the use of indigenous commercial suppliers was far more likely to spur development than to privilege domestic suppliers.

Although it took Canada longer than many other donor countries, we have finally begun to end the practice of tied aid. To its credit, the current Conservative government announced that by 2013 no Canadian aid will be tied to the use of Canadian suppliers. This is not to suggest, however, that decisions about aid allocations will ever be completely divorced from considerations of Canadian commercial interests. Several commentators have suggested that the decision to increase aid to several Latin American countries had as much to do with supporting Canadian mining interests in countries rich in mineral resources.[27]

PUBLIC AWARENESS AND SUPPORT

In the preface to his book, *The End of Poverty*, American economist Jeffrey Sachs suggested what it will take to end global poverty. *"When the end of poverty arrives, as it can and should in our own generation, it will be citizens in a million communities in rich and poor countries alike, rather than a handful of political leaders, who will have turned the tide*."[28] And yet, in the introduction to his same book he laments the ignorance of the citizenry (presumably western) to the ravages of poverty. "*Most people are unaware of the daily struggle for survival, and of the vast numbers of impoverished people around the world who lose that struggle.*"[29]

[26] Ibid. p. 377.
[27] See, for example, Arno Kopecky's blog in Walrus Magazine on-line. http://www.walrusmagazine.com/blogs/2010/07/02/speak-government/
[28] Sachs. (2005). p. xviii.
[29] Ibid, p. 1.

Sachs' description of a "people unaware" is an apt description of Canadians when it comes to foreign aid. It may also explain why public support for aid has been described as "a mile wide and an inch deep".

Proponents of aid point to opinion polls that appear to indicate a significant degree of public support. Perhaps the most comprehensive and oft cited survey is a January 2004 report entitled "Canadian Attitudes Toward Development Assistance". The survey was commissioned by CIDA in 2003 and prepared by the Environics Research Group.[30]

The Environics poll found that 56% either strongly or very strongly supported Canada's aid program for poor countries with only 6% in strong or very strong opposition. The survey also found that Canadians substantially overestimated what Canada actually spends on foreign aid.

Canadians' support for aid weakened substantially, however, when respondents were asked about spending on foreign aid relative to domestic programs and priorities. Environics asked respondents about spending increases or cuts in 22 policy areas including foreign aid. Only 17% favoured an increase in aid spending—the lowest proportion of all 22 issue areas while 40% favoured spending cuts to foreign aid—the highest proportion of the 22 policy issues.

If there is any good news for aid proponents in these numbers, it is that Canadians are prepared to admit that they don't know much about foreign aid. A majority of respondents to the 2003 survey—55%—did not consider themselves informed about Canada's aid program.

That Canadians don't know much about foreign aid is not particularly surprising. The federal government expends relatively little effort to help Canadians understand how their foreign aid dollars are being spent. In 2008–2009, CIDA reported expenditures of $27 million to engage the Canadian public—a modest commitment given a multi-billion aid budget. [31] In July 2010, CIDA announced a new approach to "engage and mobilize

[30] http://www.oecd.org/dataoecd/46/9/39436670.pdf
[31] (CIDA, 2009: 5).

Canadians in support of poverty reduction" but the details were few.[32] The annual budget remains unchanged, however.

Nor are Canadians likely to gain much understanding about foreign aid from the mainstream media with the exception of time-limited humanitarian disasters like the earthquake in Haiti or the tsunami in Asia. There are journalists who follow development issues and CIDA for specialized publications like the Hill Times and Embassy but their readership is relatively small and Ottawa centric.

The lack of general media interest in aid and development issues was evident throughout the first half of 2010.

After 30 to 40 years of ongoing CIDA support, the termination of funding to key civil society organizations like KAIROS, Match International and the Canadian Council for International Cooperation generated minimal, sustained media coverage. Even the 2010 budget cuts to foreign aid received little attention from the media. One exception was Globe and Mail columnist Jeffrey Simpson. In an opinion piece entitled "*Solving our problems on the backs of the poor*", Simpson wrote that "Canadians, as always, think of their country as a moral superpower, spreading goodness and light around the world—except that more often than not the rhetoric exceeds the reality, as it does in foreign aid".[33]

While significant media attention was devoted to the issue of maternal and child health prior to the G-8 and G-20 meetings it seems unlikely that the issue would have been given such prominence if Canada weren't chairing the meetings. It also remains to be seen whether the issue of maternal and child health will receive continuing media coverage once the Muskoka and Toronto summits fade into the history books.

[32] http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-11291243-N24
[33] http://www.theglobeandmail.com/news/opinions/solving-our-problems-on-the-backs-of-the-poor/article1516235/

THE FISCAL FRAMEWORK

Canadian governments, whether Liberal or Conservative, have been nothing but consistent when it comes to the relationship between budgetary constraint and foreign aid expenditures. When federal budgetary spending is constrained, foreign aid expenditures are among the first to be cut and often incur a disproportionate amount of the reductions.

In 1995, the federal budget brought down by Liberal Finance Minister, Paul Martin, instituted massive cuts in federal expenditures. The budget announced a three year reduction of 20.5 % to the international assistance envelope compared to a 17.3 % cut to Foreign Affairs and a 14.2% cut to National Defence. The 1995 cuts, however, were added onto earlier cuts under the previous administration of Prime Minister Mulroney. A study by the North-South Institute found that there was a 33% decrease in ODA spending in real terms between 1988–89 and 1997–98 compared to a 22% decrease for defence and a 5% reduction for all other programs combined.[34]

The current Conservative government is following this historical pattern.

ODA expenditures did increase substantially in the years following the election of Prime Minister Harper's government with annual increases to the international assistance envelope of about 8% and planned expenditures of $5 billion in 2010–2011. Prime Minister Harper publicly stated that he would honour the commitment made by Prime Minister Paul Martin at the 2005 G-8 Summit in Gleneagles, Scotland. Martin committed the Canadian government to double its aid spending by 2011 over 2001 spending levels. [35] It should be noted, however, that many other OECD countries increased their aid spending by a similar magnitude during that same timeframe.

The 2010 budget introduced by Conservative Finance Minister, Jim Flaherty, contained echoes of the budget brought down 15 years earlier by Finance Minister Paul Martin. It signalled the beginning of what will likely be years of budgetary restraint to tackle the government's deficit.

[34] Morrison (1998), p. 413.
[35] The government also claims that it has honoured its commitment to double aid to Africa but this assertion has been challenged by some. See, for example, http://www.theglobeandmail.com/news/opinions/our-shaky-hand-on-african-aid/article1477458/

Minister Flaherty kick-started that exercize in budget 2010 by limiting planned spending increases over the following 5 years that would "save" the federal government more $17.6 billion. More than a quarter of those savings—$4.4 billion—was to be achieved by capping spending on the international assistance envelope (IAE) which consists primarily of ODA.[36]

The 2010 budget capped IAE expenditures at the $5 billion level although with the qualification that they would "be assessed alongside all other government priorities on a year-by-year basis in the budget". In other words, subsequent expenditures could be higher—or lower—than $5 billion.

Even if the current level of expenditures remains static, however, significant internal aid reallocations seem inevitable. The federal government's G-8 maternal and child health pledge of $1.1 billion has to be factored into future budgetary allocations as well as the government's public commitment to continued support for the long term reconstruction efforts in Haiti. And, with the decision to withdraw troops from Afghanistan in 2011, there is a widespread belief that our aid efforts and expenditures in Afghanistan may very well increase as a result. It appears likely that some existing aid programs and activities will be eliminated or constrained in order to finance these new commitments.

[36] http://www.budget.gc.ca/2010/plan/chap4a-eng.html

PART III – NEW AND EMERGING CHALLENGES

Many of the shortcomings of Canada's foreign aid program described in the previous section have been well documented over a long period of time. If Canada is to improve the overall performance of its foreign aid program, it must resolve current shortcomings resulting from a diffusion of authority and responsibility, the lack of an agreed mandate, limited public understanding and fickle financial support.

The global context for aid and development is very different today than at the origins of Canada's foreign aid program 40–50 years ago. There have been a multitude of changes in the development landscape over the past half century. Some of the changes described below may pose fundamental challenges for existing aid programs and structures. Some may ultimately prove to be fads having no positive impact on development. But others may offer the potential to substantially improve the effectiveness of aid.

In thinking about the implications of some of the new and emerging challenges, however, we should be very careful that we don't throw out the baby with the bathwater. As the head of the French aid agency wrote, "*let us be clear; this new creativity in development aid should not—cannot—replace traditional aid channels and resources in any way.*" [37] It will be imperative to identify aid strategies and programs that are currently working so that we can do more of the same in the future. By the same token, the new and emerging challenges described below must be assessed as we consider future directions for Canadian foreign aid.

[37] Severino & Ray. (2009), p. 7.

INCREASING CRITICISM OF AID

In 1996, the highly respected development expert, Ian Smillie, was invited to appear before a parliamentary forum organized by DFAIT on the topic of aid fatigue. He said the following:

"International support for development is now flagging. In some of the rich countries its feasibility, even its very purpose, is in question. The climate surrounding foreign aid programs is heavy with disillusion and distrust."[38]

Smillie's comments have as much resonance today as they did in 1996. But he was actually quoting from the 1969 report of the Pearson Commission established by the World Bank and chaired by former Canadian Prime Minister Lester Pearson. Smillie's citation of Pearson is a reminder that foreign aid has almost always been a subject of some measure of controversy and criticism. The current critiques of aid, however, may be having a greater impact than in the past.

With decades of experience to draw on since the 1969 Pearson commission, current OECD DAC donor countries, civil society organizations and recipient countries, themselves, have a much better understanding of the limits and shortcomings of foreign aid. This growing recognition has led to the development of an aid effectiveness agenda—an attempt to delineate the principles that should shape the delivery of aid and development in order to increase the effectiveness and impact of aid.

Efforts to improve the effectiveness of aid took a concrete form in the Paris Declaration on Aid Effectiveness—an international agreement reached in 2005. More than 100 signatories from donor countries and agencies (including Canada), multilateral institutions and developing countries committed themselves to action that would increase the impact of aid leading to a reduction in poverty and inequality and increased economic growth.

The Paris Declaration was followed up by the 2008 Accra Agenda for Action that built on the commitments made in 2005.

[38] Morrison (1998), p. 422.

Ironically, while the first decade of the new millennium was marked by increasing attempts by donors and others to improve the impact and benefits of aid, it also witnessed a spate of articles that often provided withering critiques of the aid and development regime as a whole.

One of the most trenchant critiques is the 2006 book, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* by New York University economics professor, William Easterly.

Easterly is scathing in his criticism of what he refers to as "planners" and their utopian, social engineering approach to development. He challenges the existence of a poverty trap and the belief that aid is a condition of economic growth and development. He believes that many development efforts have failed because they have come with a patronizing and paternalistic view of the recipients of aid and have not been informed by feedback about what works and what doesn't work. He believes our efforts are best spent on small, practical steps to address solvable problems. He almost begrudgingly accepts that there is a role for aid and development—but just barely.

Easterly's book was followed in 2007 by *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* by Paul Collier, economics professor and Director of the Centre for the Study of African Economies at Oxford University. Collier's book is a compelling description of the "traps" that make it extremely difficult for the one billion poorest people in 58 countries to escape the conditions of poverty. While Collier is not as sceptical about aid as is Easterly, *The Bottom Billion* is a sobering recitation of many of aid's failures and shortcomings.

Both books have had a substantial impact, in part because the authors' views were informed by significant international experience. Both worked at the World Bank—Easterly for 16 years as senior research economist and Collier as director of development research.

The most blistering critique of aid, however, is also one of the most recent. In 2009, Dambiso Moyo published a book with the provocative title *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa.*

Still relatively young, Moyo does not have the academic or professional bona fides as do Easterly and Collier. In her case, however, it was more likely the messenger than the message that spawned substantial interest in her book. Born and raised in Zambia, Moyo went on to earn a Master's degree from the Kennedy School at Harvard and a Ph.D. in economics from Oxford. She worked as a consultant to the World Bank and then at Goldman Sachs.

The argument she advances in *Dead Aid* extends well beyond the criticism that aid has been ineffective. She cites figures indicating that most aid dependent countries in Africa had registered negative growth rates over the previous 30 years. She claims that poverty increased in sub-Saharan Africa in lock step with increases in foreign aid. In her view, aid is not simply benign; it is malignant. She views foreign aid as part of the problem not part of the solutions to the challenges confronting Africa. Moyo is particularly derisive, and echoes Easterly's criticism, of the extent to which aid has fuelled corruption.

Moyo's book is more polemic than scholarly research and has been soundly debunked. Writing in the Washington Post, for example, Michael Gerson, a former policy advisor to George W. Bush, said of her book, *"Seldom have so many sound economic arguments been employed to justify such disastrous, wrongheaded conclusions"* [39] And, development economist Owen Barder has chastised both Moyo and Easterly for being dead wrong in their claims that "trillions" of dollars of aid have been channelled to sub-Saharan Africa. [40] Providing some context for his analysis of aid expenditures Barder said, *"The G-20 countries have, over the whole history of aid, given less to sub-Saharan Africa than they spent on fiscal stimulus in the single year of 2009."*

While some of the aid sceptics have, themselves, been challenged, their arguments continue to resonate in some quarters. Moyo's argument has been publicly repeated by some African leaders, for example. And, following publication of her book, she was being courted by many developed country Finance and Development Ministers.[41]

The aid sceptics have also been well received in Canada.

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[39] http://www.washingtonpost.com/wp-dyn/content/article/2009/04/02/AR2009040203285.html
[40] See Barder's *An Open Letter to Aid Sceptics* http://www.owen.org/wp-content/uploads/An-Open-Letter.pdf
[41] It was rumoured that Canadian Finance Minster Jim Flaherty requested a meeting with Moyo during a trip to Ottawa but she turned him down because she was "too busy."

In early 2010, Easterly was invited to give the Paul Cadario lecture at the University of Toronto's School of Public Policy and Governance. Collier's book received the Lionel Gelber prize in 2008 and both Collier and Moyo participated in the June 2009 Munk Debate on foreign aid. Moyo returned to Canada in September of 2009 to deliver a public lecture to a sold-out audience of several hundred people. Later that evening, she spoke to a private dinner for some of Ottawa's most influential decision makers including elected officials, senior civil servants and journalists.

NEW AID AND DEVELOPMENT ACTORS

The array of actors involved in foreign aid and development is larger and more diverse than ever before. The number of nation-state donors alone has grown from 5 or 6 in the mid 1940's to more than 60 today.[42]

Countries that were once classified as "developing" and recipients of aid are now, themselves, the providers of foreign aid. As Carleton University professors Chris Brown and Edward Jackson put it, "Whereas in [Lester] Pearson's time, 80% of the world's countries were potential aid recipients and only 20% were potential donors, today the situation is reversed; for 80% of countries around the world aid is largely irrelevant, while for the other 20% it remains as important as ever".[43]

The proliferation of new aid actors is not limited to nation states, however. There has been an explosion in the number of multilateral, public-private and non-state organizations and institutions now playing on the global development stage. The most important of these are described in the pages that follow. If Canada is to exercize future leadership, it will need to provide clarity about what role we would like to play relative to all of the other aid and development actors.

[42] International Development Association (2007, p. 27).
[43] Jackson and Brown (2009).

NATION-STATE DONORS

A key driver of the initial expansion of foreign aid 50 years ago was the desire of some countries to share the “aid burden”. In the early sixties, almost 90% of foreign aid was delivered by just three countries; the United States, France and the United Kingdom.

When CIDA was established in 1968, it quickly became an active member of the OECD DAC group of bilateral donors. DAC, itself, was a relatively new body with its predecessor having been founded only in 1960.

In 1969, the DAC members agreed on the criterion they would use to calculate their aid allocations. This set of calculations, Official Development Assistance (ODA), soon became the global standard for the measurement of aid. It continues to be widely used not only by the DAC countries but by academics and institutions like the World Bank and the United Nations.

In a 2007 report, the International Development Association grouped the 60 bilateral, nation state donors into 4 different categories. (See Table # 1).

The first category includes current OECD DAC members. Many of these countries played key roles in shaping the contours of foreign aid and development as we know it today.

Table 1 – List of Bilateral Donors [44]

A. DAC Members

1) Australia
2) Austria
3) Belgium
4) Canada
5) Denmark
6) Finland
7) France
8) Germany
9) Greece
10) Ireland
11) Italy
12) Japan
13) Luxembourg
14) Netherlands
15) New Zealand
16) Norway
17) Portugal
18) Spain
19) Sweden
20) Switzerland
21) United Kingdom
22) United States

B. OECD Members that are not part of DAC

1) Czech Republic
2) Hungary
3) Iceland
4) Korea [45]
5) Poland
6) Slovak Republic
7) Turkey
8) Mexico

C. EU Members that are not part of OECD

1) Bulgaria
2) Cyprus
3) Estonia
4) Latvia
5) Lithuania
6) Malta
7) Romania
8) Slovenia

D. Other non-DAC donors

1) Brazil
2) China
3) Chinese Taipei
4) India
5) Indonesia
6) Iran
7) Israel
8) Kuwait
9) Libya
10) Malaysia
11) Pakistan
12) Russian Federation
13) Saudi Arabia
14) Singapore
15) South Africa
16) Thailand
17) United Arab Emirates
18) Venezuela

[44] International Development Association, p. 42.
[45] Korea has since become a member of DAC.

The second group of nation-state donors includes countries like the Czech Republic and Turkey that are members of the OECD but not the DAC.

Countries in the third grouping of donors are members of the European Union but not the OECD. A number of former members of the USSR like Latvia, Estonia and Lithuania are in this group.

Finally, the fourth category of donors includes an eclectic mix of countries in Asia, Latin America, the Middle East and Africa. They are neither members of the EU nor the OECD. This group includes several Arab countries like Saudi Arabia and Kuwait that have long been involved in the provision of foreign aid. Some countries in this fourth category are both donors and recipients of aid. India, for example, is not only a bilateral aid donor; it was one of the two largest recipients of World Bank aid in 2008.

Given that it includes many of the current and emerging economic powerhouses, this 4th grouping of nation-state donors may be the most important of all. They have the potential to usurp the historical role of OECD in establishing global norms and standards for aid and development. And of all these countries, China may be the most influential of all.

CHINA

China warrants a specific mention because of the increasing role it is playing in all aspects of global affairs. Foreign aid is no exception. A 2009 report from the U.S. congressional research service found that Chinese foreign aid to Africa, Latin America and southeast Asia increased from less than $ 1 billion in 2002 to an estimated $ 25 billion in 2007.[46]

China's role in Africa, in particular, is of growing interest.

Dr. Xue Lan is Dean of the School of Public Policy and Management at Tsinghua University in Beijing and a board member of the International Development Research Centre (IDRC). He spoke about this issue at an IDRC sponsored event in Ottawa in March 2010.

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[46] http://www.themadisontimes.com/news_details.php?news_id=256#

Xue reminded his audience that China's engagement with Africa is not new; Africa has been the first destination for visits by new Chinese Foreign Ministers for more than 20 years. And, every sub-Saharan African country that followed a one-China policy has been a recipient of Chinese foreign aid.[47]

Dr. Xue argued that the burgeoning interest in Chinese African relations results from the rapid growth in China's aid, trade and investment relationship with African countries. While China's trade with and Foreign Direct Investment in Africa has certainly grown in the past decade, the rate of increase with other Asian countries has been much more significant. And, he pointed out, while about half of Chinese foreign aid goes to Africa, that amount still represents a very small proportion of total aid flows to Africa.

China's engagement with Africa has also generated controversy. China has been criticized for not using its influence in Africa to address issues of corruption, human rights abuses and environmental degradation. According to Dr. Xue, such criticism fails to understand that a fundamental feature of China's involvement in Africa is the policy of non-interference. China and African countries have all suffered the "*invasion and pain of the colonial period of their history so they share (and cherish) a basic principle that no country has the right to impose its sovereignty on another*."

It is now understood that the allocation of aid dollars by western donors in the past was influenced by the engagement of the USSR in other parts of the world. Foreign aid from western countries was considered a bulwark against the expansion of communism. If history repeats itself, it is not hard to imagine that countries concerned about China's growing global influence may tailor their aid programs accordingly. China's potential influence on the future of international aid and development, in other words, may be much greater than their current share of aid expenditures would suggest.

[47] http://www.ottawacitizen.com/business/West+could+learn+from+China+speaker+says/2718965/story.html and http://www.idrc.ca/en/ev-152471-201-1-DO_TOPIC.html

NON-STATE ACTORS

While more nation-states are involved in the provision of foreign aid today than ever before, there has been an even greater proliferation of non-state actors ranging from public-private partnerships to philanthropic foundations to individuals. Some of the most significant of these are described below.

i) Vertical Funds

A variety of new ventures have been established, many within the last decade, to address specific global challenges. Often called vertical funds, these initiatives are public-private partnerships between states, the private sector and civil society organizations.

The largest and better known of these funds include: The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunization (GAVI), the Global Environmental Facility (GEF), the Advance Market Commitment (AMC) and the Consultative Group on International Agricultural Research (CGIAR).

These vertical funds have become large and well resourced. The Canadian government alone contributed $1.4 billion to these 5 funds between 2001–2008. [48]

These funds have also become very influential. Since its launch in 2002, for example, The Global Fund for AIDS has provided almost $20 billion to tackle AIDS, Tuberculosis and Malaria in 144 countries. The Fund now contributes one quarter of all financing for AIDS globally, two-thirds for TB and three quarters for malaria.[49]

ii) Civil Society

While there is no agreed definition of civil society, it is an amalgam of institutions, organizations, movements, networks and causes that are positioned between the state and the market. Civil society has been described as a sector that addresses societal needs and requirements that the private sector will not and that governments cannot.

[48] http://www.fin.gc.ca/bretwood/bretwd08_2-eng.asp#annex10
[49] http://www.theglobalfund.org/en/about/?lang=en

International development non-governmental organizations (NGO's) constitute an important component of civil society. Historically, NGO's have played a key role in the provision of aid often providing services contracted by states. Increasingly, however, they are becoming development actors in their own right. Some of the largest are becoming less dependent on government as a source of funding and, therefore, better able to operate independently. World Vision, for example, receives 80% of its global funding from private sources.

One of the most interesting and positive developments has been the emergence of home-grown, indigenous NGO's. Perhaps the best example is the growth of the remarkable Bangladeshi organization, BRAC, which now provides development programs to more than 110 million people in Asia and Africa.[50]

While delivering aid programs has been their primary function, development NGO's have also, to varying degrees, played an advocacy role by commenting on public policy issues as they relate to aid and development.

While hard to quantify, the Comparative Non-profit Sector project at John Hopkins University has described the breadth of NGOs' global reach. In a 2004 report, the Non-profit Sector project estimated that the international activities of NGO's employed the full time equivalent of 140,000 people—larger than the staff of all bilateral and multilateral donors combined. A total of almost $ US 13 billion of revenue was generated by these NGO's with 36% deriving from philanthropy, 35% from government sources and 29% from fees. The report referred to a "global associational revolution" being underway.[51]

With budgets of many donor states being significantly reduced, development focused civil society organizations are likely to face increased demands At the same time, however, some countries are actively limiting the role of civil society.

In a recent speech to the Community of Democracies, U.S. Secretary of State, Hillary Clinton, conveyed her government's concern about the increasing, anti-democratic tendencies of some governments to "crush" activist and advocacy groups. In naming

[50] See Smillie (2010b) for a history of BRAC.
[51] Salamon, Sokolowski & List (2003).

countries like Zimbabwe, Iran, Venezuela and China she said "Democracies don't fear their own people. They recognize that citizens must be free to come together, to advocate and agitate."[52]

Closer to home, recent actions of the Conservative government suggest a distinct preference for NGO's that simply deliver programs over those that complement service provision with advocacy. Development NGO's, which have been publicly critical of aspects of the government's aid policy, have lost the financial support they received from the federal government. At the same time, however, non-advocacy service providers received increased funding. For example, the government announced new funding of $17 million over 3 years for Right to Play while eliminating funding for groups like KAIROS, Match International and the development sector's umbrella group, the Canadian Council for International Cooperation.

In July 2010, Minster Oda announced CIDA's new approach to supporting NGO's. Relatively few details were provided but preference will be given to partnerships that are aligned with CIDA's priorities and *"they must be consistent with Canadian government policy*".[53]

While some governments may be trying to circumscribe the activities of civil society organizations, the aid and development role of civil society, as a whole, is likely to increase in the future.

iii) Philanthropic Organizations

Philanthropic foundations, primarily based in the U.S., have played an important role in developing countries for many years. The Ford Foundation is one example. The emergence of the Bill and Melinda Gates Foundation, with much of its focus on global issues, has highlighted the increasingly important development role of philanthropic organizations.

In 2008, for example, the Gates Foundation reported expenditures for its Global Heath and Global Development program of slightly more than $3.1 billion.[54] By way of

[52] http://www.state.gov/secretary/rm/2010/07/143952.htm
[53] http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-11291243-N24
[54] http://www.gatesfoundation.org/about/Documents/2008-gates-foundation-financial-statements.pdf

comparison, the DAC reported 2008 ODA expenditures for its following members as follows; Canada and Sweden – $4.7 billion, Norway – $3.9 billion, Australia – $3.1 billion and Denmark – $2.8 billion.[55]

Following the Muskoka summit's announcement about a G-8 initiative on maternal and child health, media accounts described Canada as the "lead" donor with a commitment of $1.1 billion. The initiative's success will be dependent on other, non-G-8 donors, however. With a commitment of $1.5 billion, the real "lead" donor to the G-8 maternal and child health initiative isn't Canada; it isn't even a country. It is the Gates Foundation.

While the Gates Foundation is the best known of the new philanthropic development players, it is far from the only one. On leaving office, former U.S. President Bill Clinton established an eponymous foundation with a focus on worldwide issues that currently has more than 1,100 staff and volunteers working in 40 different countries.

The growing role of philanthropists in development issues has also spilled across the 49th parallel. Guy Laliberté, founder of Cirque du Soleil, established the One Drop Foundation and has committed to raising $ 100 million to support its mission to fight global poverty by providing access to water.

While Laliberté's name will be familiar to many Canadians, very few will have ever heard of Frank Giustra.

A successful, Vancouver businessman who shuns the limelight, Giustra made much of his wealth in the mining industry. In 2007, he launched a philanthropic initiative intended to mitigate the impact of mining in communities in Latin America and Africa. Working in partnership with Bill Clinton, the two men established the Clinton Giustra Sustainable Growth Initiative. Beginning its work in two countries that are CIDA priorities, Columbia and Peru, the Clinton Giustra Initiative has three areas of interest; child nutrition, access to health care in rural areas and supporting entrepreneurship. In launching the initiative, Giustra committed $100 million of his personal wealth plus 50% of everything he subsequently earns. He also leveraged his personal donation to secure hundreds of millions of additional philanthropic donations for the initiative.

[55] http://www.oecd.org/dataoecd/48/34/42459170.pdf

iv) Corporate sector

The corporate sector—in Canada as well as other western countries—has always had an interest and involvement in developing countries.

In some cases, as described earlier, Canadian businesses have been the direct beneficiaries of ODA expenditures used to build physical infrastructure like roads, railways and dams or to provide food aid.

In other cases, the nature of their business necessitated Canadian companies working in developing countries. Canada's huge mining sector has depended on natural resources found in some of the poorest countries in the world especially in Africa and Latin America.

More recently, the concept of corporate social responsibility (CSR) has started to be applied at the global as well as the domestic level. A more strategic engagement of companies in developing countries is considered by some business people to be part of a corporate strategy to be more competitive.

The CSR concept incorporates a continuum of corporate activities. At one end of the CSR continuum, are companies which simply provide grants to local groups. Farther along, are those companies that understand that their actions may contribute directly to positive—or negative—development outcomes. And the far end of the CSR continuum is populated by pioneering companies that believe that the generation of profits for shareholders and the reduction of poverty in the countries in which they work are not mutually exclusive objectives. They will integrate low-income producers and consumers into their value chains, for example. Such companies would also view measures to fight corruption as having direct benefits for the company as well as furthering economic and political development in the country as a whole.

This increasing realization that there may actually be convergence between development goals and corporate goals was manifest in the UN Global Compact which was launched in 2000. This voluntary, leadership initiative requires corporate signatories to align their business operations and strategies with ten principles relating to human rights, labour, environment and anti-corruption. The Compact serves as a

framework and accountability mechanism for companies committed to socially responsible and sustainable corporate practices.

A more recent example, and closer to home, can be found in the Devonshire Initiative launched in 2007 which convened representatives of Canadian mining companies operating in developing countries as well as representatives of international development NGO's. The Initiative followed in the footsteps of an earlier set of roundtables convened by the federal government in 2006 in response to criticisms that some Canadian mining companies were acting irresponsibly in developing countries. The roundtables highlighted the mutual distrust between some members of the extractive industry and some NGO's. The Devonshire Initiative was an attempt to convene another group of industry and NGO's representatives to develop mutually agreed standards that would guide the operations of mining companies in developing countries. If nothing else, the Initiative is an example of the efforts of some Canadian companies to play a more concerted and constructive role in development.

v) Individuals

Increasingly, individual citizens are playing a more active role in aid and they do so in a variety of ways. For example, individuals continue to be an important source of funds and volunteers for many development NGO's.

Although remittances have been characterized by some as "poor people giving to poor people" they are an important source of financing in a number of countries. Even accounting for the severe impacts of the recession, the World Bank estimated that total global remittance flows in 2009 would amount to $317 billion. They also indicated that remittances were more resilient and had fallen less than the drop in private capital flows and, as a result, were likely to play an even more important role in the future. [56]

The continuing evolution and proliferation of information technology has expanded the range of opportunities that allow for a more direct role for citizens in development. In the

[56] http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationAndDevelopmentBrief12.pdf

same way that the blogosphere led to the evolution of the citizen-journalist, we may be witnessing the emergence of the citizen-aid worker.

Chris Hughes, a co-founder of Facebook and the director of on-line organizing for Barack Obama's 2008 campaign, is developing a new on-line start up called Jumo. With a launch planned for the fall of 2010, Jumo will have an explicit development-like focus promising to "bring together everyday individuals and organizations to speed the pace of global change".[57]

While large, institutional donors remain an important source of financing for microfinance initiatives in poor countries, individuals can now provide loans directly to support small business ventures in poor countries though new vehicles like Kiva.org. By harnessing new technologies, Kiva had facilitated the provision of over $125 million in loans to people in poverty from its inception in late 2005 to March 2010.

The American counterpart of CIDA, the U.S. Agency for International Development (USAID) sponsored an innovative, three day on-line "jam" in March 2010. The purpose of the jam according to the USAID website was "to inform US foreign assistance strategies and programs." The jam is emerging as a new kind of "public commons" and builds on the concept of crowd sourcing.[58]

The Global Pulse 2010 jam was hosted by head of USAID, Dr. Rajiv Shah. He and other aid and development experts uploaded posts on a number of topic threads. They ranged from supporting a sustainable planet to empowering women and girls to promoting global health. Over the course of the 3 days, thousands of people from all over the world interacted with Shah.

The USAID's jam followed on the heels of the February 2010 security jam organized by the European Commission and NATO which provided a platform for participants from 124 countries. Both of these jams owed their origins to one of the first jams—the 2005 "Habitat Jam" organized by Canada, the UN and IBM on the topic of urban sustainability. Thousands of people from 160 countries participated in online discussions about how to

[57] http://jumo.com/index.php

[58] http://www.facebook.com/pages/Global-Pulse-2010/327872951484

improve the lives of urban slum dwellers and how to improve the financing for cities. The jam resulted in 600 actionable ideas and the results were used to shape the agenda for the 3rd annual World Urban Forum.

INNOVATIVE DEVELOPMENT APPROACHES AND TOOLS

In parallel to and, perhaps, as a consequence of the emergence of new actors, a flurry of innovative development tools and approaches are being tested. Some involve new ways of providing assistance. Others entail innovations in the financing of development that may complement grants, loans, debt relief and technical assistance that have been the stock in trade of traditional donors. Some are a combination of both.

A number of new approaches use market based principles or attempt to leverage more private sector investment in development. Many are still at the pilot stage and their efficacy has yet to be proved. But to the extent that any of these approaches are successful, they will necessitate changes in traditional aid structures as well as the skills and competencies of development workers. Some of the most promising of these approaches are described below.[59]

ADVANCE MARKET COMMITMENTS

Canada has taken a leadership role in promoting the concept of advance market commitment (AMC) which is intended to spur the development of vaccines for strains of diseases prevalent in developing countries.

An AMC provides an incentive for the private sector to increase R&D investments for certain vaccines. These vaccines aren't considered to be commercially viable because it is assumed that those countries most in need of the vaccines are least likely to be able to afford them. Donors undertake a binding commitment to purchase a fixed number of vaccines at a fixed price for a fixed period of time—subject to a request from a developing country and quality and safety standards being met. The operating assumption is that pharmaceutical companies would not make these investments in the absence of some guarantees of a market.

[59] See also Carin and Smith (2010) pp. 12–31.

Canada was the first country to commit to a pilot project to test the concept. At the G-8 meeting in 2006, Canada pledged $200 million to finance an AMC to develop a pneumococcal vaccine that could reduce childhood mortality. A total of $1.5 billion was ultimately committed by a handful of other donors.

The pilot project kicked into high gear in March 2010 with the announcement that GlaxoSmithKline and Pfizer were the first two companies to make a long term commitment. Both companies promised to supply 30 million doses each for a 10 year period at a fraction of the cost of the vaccines in industrialized countries. It was hoped that the supply of vaccines would begin in 2010 saving an estimated 900,000 lives by 2015.[60]

RESULTS-BASED FUNDING

Sometimes referred to as "cash-on-delivery" aid, this approach would provide funding for poor countries on the basis of successful outcomes and results rather than inputs. The provision of funds would also be conditional on some agreed development goal being achieved. Donors wanting to support an expansion of education, for example, would not provide funds up front to build a new school. Rather, they would sign a contract with a developing country that might, for example, provide a fixed sum for each child who successfully completed primary school. The recipient country could then use those funds in whatever way they chose.

A similar approach is being tested with families. Conditional cash transfers would provide funds directly to poor families who commit to investing in the future of their children. Successful school completion or participation in a pre-natal programme, for example, would trigger a cash payment directly to the family. [61] Although not without their critics, these "cash-on-delivery" approaches are being tested for their potential to improve aid outcomes.

[60] http://www.vaccineamc.org/updatemar23_10.html

[61] http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPRRS/EXTCCT/0,,contentMDK:22040461~pagePK:64168427~piPK:64168435~theSitePK:5757745,00.html

REMITTANCES

We know more today than we did even 5 years ago about the amount and scope of financial remittances sent by Canadian immigrants to family members in their countries of origin.

In a 2006 report prepared for the Canadian Defence and Foreign Affairs Institute (CDFAI), Danielle Goldfarb extrapolated from existing global data on remittances and concluded that total remittances sent from Canada in 2005 might have ranged between $10–15 billion. [62]

A more recent 2009 study suggests that the aggregate amount of Canadian remittances is lower but still significant. The report, published by the Washington based Hudson Institute, estimated remittances sent from Canada in 2007 amounted to $8.9 billion. [63] By comparison, Canadian ODA expenditures in 2006–2007 were less than half that amount at $4.2 billion.

While our understanding of the extent of remittance flows has increased substantially in recent years, there has been some reluctance—in Canada and elsewhere—to consider remittances in relation to the overall aid system. Given the amount of revenue flows involved, however, and the fact that a good portion of remittances flow from wealthy to poor countries, a failure to at least understand the impact of remittances on development is hard to justify. This is especially true for Canada given that this country is second only to Australia in the proportion of the population comprised of immigrants.

This relative disinterest in the relationship between remittances and aid may be changing.

A meeting of G-8 development ministers in 2009 commended the creation by the G-8 Presidency of a "Global Remittances Working Group".[64] Coordinated by the World Bank, the working group will, among other things, consider ways in which to enhance the impact on development of remittances.

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[62] Goldfarb (2006).

[63] http://www.hudson.org/files/documents/Index%20of%20Global%20Philanthropy%20and%20Remittances%202009.pdf p. 70.

[64] http://g8.gc.ca/about/past-summits/ministerial-meetings-2009/chairs-summary/

MOBILE PHONE TECHNOLOGY

Of all the information technologies, it is mobile phones that have generated the most excitement with respect to their potential impact on development. The number of cell phone users in the developing world increased from 1.5 billion to 2.2 billion from 2006-2009. That number is projected to increase to 3 billion users within a few years.[65] A recent working paper published by the Center for Global Development indicates that 60% of the population in sub-Saharan Africa currently has mobile phone coverage with mobile phones outnumbering landlines by 10 to 1. In addition, mobile phone subscriptions increased in sub-Saharan Africa by 49% annually between 2002–2007.[66]

There are some obvious and simple benefits to the expansion of mobile phone service such as the increased ability of development workers in the field to communicate with each other. It is the potential for mobile phones to empower the poor, however, which is generating the most attention.

Some people consider mobile phones as the best way to extend financial services to the poor and to encourage savings. A 2009 World Bank Study highlighted both the cost and the extremely limited outreach of African financial institutions. Fewer than 1 in 5 African households had access to any formal banking services whether for savings, payments or credit. [67] Mobile phones are thought to have much greater potential to offer security, accessibility and liquidity compared to traditional African financial institutions.

Others see the “crowd-sourcing” capabilities of mobile phones as having huge development potential. During the Haitian earthquake, for example, volunteers used text messages to report on the locations of people trapped in the rubble, food shortages and looting. These reports were plotted on a map that enabled more efficient rescue efforts. This crisis mapping was done through the website Ushahidi.com which had been developed in 2007 to report incidents of violence in the run up to the election in Kenya. The hope is that mobile phones may enable more real-time reporting on an increase in underweight babies, for example, that would provide an early warning sign of a looming problem.

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[65] http://www.huffingtonpost.com/jose-antonio-vargas/haiti-rebuilds----the-bir_b_428688.html
[66] http://www.cgdev.org/content/publications/detail/1424175
[67] http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/18/000158349_20090818083808/Rendered/PDF/WPS5020.pdf p. 4.

While there is still much to learn about the development impacts of mobile phone technology, there is research indicating that the expansion of mobile phone usage has had positive impacts on agriculture and labour market efficiency in some countries. [68]

ALTERNATIVE FINANCING MECHANISMS

The economic, social and human turmoil caused by the financial and market meltdown of 2008 has generated more interest in alternative means of financing development. For example, increased attention has been given to the potential for airline ticket taxes to fund development—an approach that France has used for a number of years.

The use of special purpose bonds is also being explored. A domestic experiment recently launched by the UK government may have some implications for international development.

In March 2010, the UK government launched a "social impact bond" that will raise £5m to finance organizations working with short term prisoners during and after their incarceration. Bond holders will receive a return on their investments that is linked to reductions in the recidivism rate. The fewer the ex-convicts who return to prison, the greater the reduction in public expenditures and the higher the rate of return for investors.

The ultimate success of this pilot project may not be known for several years. But, there is no reason that the concept couldn't be adapted and piloted for initiatives to reduce AIDS transmission, for example, or increased rates of educational attainment.

The alternative financing mechanism that has received most media attention is a Financial Transaction Tax (FTT) also dubbed by Oxfam International as the "Robin Hood Tax".

The FTT builds on a proposal first advanced in 1972 by Nobel Laureate economist James Tobin and subsequently known as the Tobin Tax. An FTT would impose a small tax on all financial transactions involving stocks, bonds and derivatives traded through stock and future exchanges. It has been estimated that a tax of 0.05% would generate $650 billion which, its proponents advocate, could be used for domestic as well as international development purposes.

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[68] ibid.

The OECD has also recently turned its attention to the issue of taxation and its role in development. In this instance, however, attention is being focussed on the extent of foregone revenue resulting from weak taxation regimes in developing countries.

At a January 2010 Global Forum on Development sponsored by the OECD, the Norwegian State Secretary for International Development explained her interest as follows:

"Studies indicate that illicit capital flows out of developing countries could be as high as USD 1 billion, or about ten times all global official development assistance coming into developing countries. As a politician responsible for development issues, I cannot ignore such numbers—even though they are rough estimates. We cannot focus only on the expenditure side of development; we cannot focus on aid alone. We need to address the income side of the equation as well".[69]

BROADENING THE DEFINITION OF AID

Our current definition of foreign aid dates to 1969 when the initial OECD DAC members agreed on a set of criterion they would use to calculate their aid allocations. They essentially counted the amounts spent on the transfer of capital, goods and services to recipient countries. This measure continues to be used widely not only by the DAC countries, including Canada, but by academics and institutions like the World Bank and the United Nations. And it is the DAC definition that is used to track progress towards the goal of expenditures on development that amount to 0.7% of GNI.

The OECD used the term Official Development Assistance (ODA) to describe this measure leading people to conflate the term aid and development. But, as Ian Smillie wrote in a recent article entitled *Development Confusion*, "*many confuse foreign aid with development. Development can result from foreign aid, but the two are not synonymous, and in the general scheme of things, trade and investment undoubtedly play larger roles—or should.*[70]

[69] http://www.oecd.org/dataoecd/34/51/44636235.htm
[70] http://www.onlinecic.org/blogs/ciccommentary/developmentconfusion

Increasing concerns have been expressed about the inadequacy of ODA as the measure of aid. Tellingly, one of the most vocal critics, Jean-Michel Severino, is Managing Director of CIDA's French counterpart, L'Agence Francaise de Développement, (AFD) and a former Vice-President of the World Bank.

In March 2009, Severino and an AFD colleague, Olivier Ray, released a paper published by the Center for Global Development entitled *"The End of ODA: Death and Rebirth of a Global Public Policy*." They are blunt in their criticism of ODA. "It is hard to find other examples of public policies whose performance is assessed so little on the basis of results and so much on the basis of expenses—themselves measured so imperfectly." [71]

In Severino and Ray's view, the problem with ODA is threefold.

First, they argue, ODA measures too much and includes activities and expenditures that don't result in development. Why, they ask, are administrative overheads in donor countries included? Why are the costs of schooling provided in donor countries to students from developing countries counted as ODA especially when so few of those students return to their home countries? And why are the costs incurred by donors to integrate political refugees included in the aid tallies? These are legitimate and appropriate activities for wealthy countries to undertake, they argue, but they don't result in an allocation of funds to poor countries and, as a result shouldn't be included in the calculation of aid expenditures.

The IDA has calculated that the inclusion of these kinds of activities in the aid calculations has increased significantly. "Almost a third of the ODA flows recorded in 2005 would not have been considered ODA in the 1970s and early 1980's".[72]

The second failure of ODA, according to Severino and Ray, is that it measures too little incorporating only the expenditures of the members of the OECD DAC. It doesn't include non-DAC countries like China or some of the Arab states that are, increasingly, becoming significant aid players. And, because it only measures spending by government, it ignores the sizeable contributions to aid made by the private charitable donations of individuals or the expenditures of philanthropic organizations like the Gates Foundation.

[71] Severino and Ray (2010), p. 16.
[72] IDA, p. 32.

Finally, ODA is criticised for measuring the wrong things. It is a highly imperfect measure of the aggregate amount of public funds mobilized in pursuit of aid objectives. For example, it doesn't include tax expenditures resulting from private aid donations from individuals or foundations. And, because it measures only financial inputs, ODA has nothing to say about the most important question of all; what are the outcomes and impacts of aid spending?

Some attempts have been made to address the shortcomings of the current aid metrics and to broaden the range of policy fields that are counted as determinants of development.

Perhaps the best known is an initiative launched in 2003 by the Center for Global Development (CGD) in Washington. Since that time, and with support from the Rockefeller Foundation, the CGD has published an annual Commitment to Development Index (CDI). The CGD Index ranks the DAC members but uses a broader set of policy indicators than encompassed by ODA.

While the CDI includes the measure of a country's gross expenditure on aid, it also assesses the quality of that aid. The Index penalizes donor countries if they tie their aid, for example, but rewards them if their support is channelled to poor but relatively incorrupt countries.

More importantly, aid is only one of 7 areas that are included in the assessment of a donor's approach to development with the other policy fields being trade, investment, migration, environment, security and technology.

In the CDI's most recent 2009 assessment of 22 of the world's richest countries, Canada is ranked in the middle of the pack in 11th place.[73] The CDI lauded Canada for its low barriers to imports from developing countries and policies that support investment in poor countries. But Canada's positive impact in these areas was offset by our poor environmental record in developing countries and our small contribution to international peace-keeping efforts.

The CDI measure is not perfect but it underscores the fact that aid should be seen as only one of the contributors to development. And, it provides a reasonable checklist of

[73] http://www.cgdev.org/doc/CDI/2009/country_reports/Canada_2009.pdf

the other policy areas that should be considered in assessing the development activities of donor countries.

NEW AID ARCHITECTURE

The changes described above have not gone unnoticed by traditional aid donors. In a blog posting in June 2009, Minouche Shafik, the Permanent Secretary of UK's DFID, said *"It has become increasingly apparent that the current structures of global governance and aid architecture are ill suited to the needs of the changing development landscape"*[74]

As the IDA defines it, aid architecture refers to "the set of rules and institutions governing aid flows to developing countries." [75] Those rules and the implementing institutions have a profound impact on the nature and quality of aid provided in the field. The IDA also makes the important point that "while aid has an architecture, it has no single architect".

Aid architecture has both global and domestic elements. The following section will survey some recent developments that have the most relevance for Canada.

GLOBAL ARCHITECTURE

Canada was one of the original members of the OECD's Development Assistance Group established in 1960. Its successor, the Development Assistance Committee (DAC), was founded the following year and the members of that group have, historically, acted as the primary global architects of aid.

For almost five decades, the DAC has enabled its member states to identify good development policies and practices. Its' peer review mechanism enables Canada, and other members, to benchmark their aid practices against those of other wealthy, industrialized countries. In effect, the DAC established the global rules for aid and development.

It is not surprising that the limitations admitted by Minouche Shafik have led to criticism of DAC itself.

[74] http://www.ideas4development.org/en/post/article/from-architecture-to-networks-aid-in-a-world-of-variable-geometry.html
[75] IDA, p. 1.

Some of the criticism reflects a view of DAC as a "donors club" of affluent and privileged countries that have done relatively little to engage aid recipient countries in the determination of the forms of assistance that would best meet the needs of poor people in poor countries. Ironically, the Paris Declaration principle of "ownership"—that partner countries should take leadership of aid programs—has probably highlighted some of the inherent limitations of DAC.

Some of the most trenchant criticism of the status quo is coming from traditional donors. Former DFID Minister, Clare Short, said, *"I fear that the political elites in the OECD countries fail to understand the changes of policy and mindset that are required to deal with this crisis. The duty of development NGO's, academics, campaigners and Ministries is to challenge the whole outlook of the old OECD elite and advocate the policies that will create the more equitable and sustainable world order that will enable us to avoid the massive catastrophe that otherwise threatens. The challenge is much bigger than the traditional development discourse".* [76]

There have been a variety of responses to these criticisms.

In 2007, ECOSOC—the United Nations' Economic and Social Council—launched the Development Cooperation Forum (DCF). The Forum is attempting to broaden the range of actors involved in shaping the international development assistance system. Its initial meetings convened representatives of developed and developing countries as well as UN and multilateral agencies and civil society and the private sector. There are questions about whether the DCF process, itself, will have any constructive impact. But it does raise the prospect of a more inclusive global aid architecture and process.

To its credit, the DAC has also taken steps to address some of these criticisms. The OECD and DAC is host to the Working Party on Aid Effectiveness—a global forum that brings together practitioners and policy makers from both donor and partner countries. It works to increase awareness about and reach consensus on the elements of effective aid.

[76] From Notes for a Keynote Address by the Rt Hon Clare Short MP, United Kingdom to A Conference on the Future of Canadian ODA, September 29–30, 2009. CCIC. Ottawa.

And, it was this forum that organized the high level meetings that resulted in the Paris Declaration and the Accra Agenda.

In addition, DAC has recently completed a "reflection exercize" on the future of development cooperation. In late September 2009, DAC organized a Policy Dialogue in Mexico City hosted by the Mexican Foreign Ministry which convened DAC members and other providers of development assistance. There was a great deal of discussion about the concept of "triangular cooperation" which engages traditional donors, other providers of development assistance and aid partner countries.

The current Chair of DAC, Eckard Deutscher, left no doubt about the potential implication for DAC when he said, "the DAC of the future will be much more involved with global issues like climate change and equitable trade and ... much more inclusive and pro-active in working with others".[77] And the "others" that DAC will need to work with in the future include other global bodies that are, increasingly, assuming development responsibilities. For example, the G-20 Toronto summit established a Working Group on Development charged with creating a G-20 development agenda and a multi-year work plan.

DOMESTIC AID ARCHITECTURE

While nation-state donors help shape the global aid architecture through vehicles like OECD's DAC, they each have their own domestic rules and institutions that circumscribe their provision of foreign aid.

Recent US developments

Many of the same criticisms that have been directed towards CIDA in Canada have also been levelled against USAID in the United States. In many ways, the challenges to modernizing the aid architecture in the US are much greater than we face in Canada. The way in which our US colleagues address these issues may be instructive, as a result.

While the diffusion of aid decision making authority in Canada poses a real challenge, it pales in comparison to the situation in the US where as many as 25 executive agencies are involved in the delivery of foreign aid. And while the US, unlike Canada, has specific

[77] http://www.oecd.org/document/9/0,3343,en_2649_33721_43703753_1_1_1_1,00.html

mandating legislation, the archaic Foreign Assistance Act is more than 500 pages and reflects the cold war era worldview that existed when it was signed into law by President Kennedy in 1961.

There appears to be bipartisan agreement in the U.S. on the dysfunctional nature of their current foreign aid system.

In June 2010, the House Foreign Affairs Committee began to circulate a draft of the Global Partnerships Act which would replace the 1961 legislation. The proposed legislation would establish a framework and articulate the purposes, principles and goals that would guide the U.S. approach. In addition, both Presidents Bush and Obama launched important aid reform initiatives that have some relevance for Canada.

i) Millennium Challenge Corporation

First proposed by President Bush in a 2002 speech, the Millennium Challenge Corporation (MCC) was established by the U.S. Congress in 2004 with strong bipartisan support. Grants provided by the MCC complement those delivered through USAID and other traditional bilateral donors but are awarded in a very different way.

While the MCC will provide large, five year grants to developing countries, it does so on a competitive basis. Developing countries seeking support must meet MCC's eligibility test which requires a commitment to good governance, economic freedom and investing in their citizens. Countries seeking support must also identify their priorities for achieving economic growth and poverty reduction and must develop proposals in conjunction with a range of societal stakeholders.

In its first 6 years, MCC approved $7.4 billion in support for countries ranging from Armenia to Senegal to Honduras. Support was provided for initiatives ranging from water supply and sanitation services to anti corruption measures.

ii) Presidential Study Directive on Global Development – PSD 7.

U.S. President Obama signalled his interest in foreign aid by initiating a comprehensive review of development in September 2009. While not uncommon, these kinds of directives from the President's office accord the topic a much higher priority than would otherwise be the case. The study was directed under the auspices of the National Security Advisor and in conjunction with 15 different U.S. agencies. In tandem with PSD–7, the Obama administration also launched the development of a National Security Strategy. In addition, in July 2009 Secretary of State, Hillary Clinton, launched a Quadrennial Diplomacy and Development Review (QDDR) which was to be undertaken jointly by State and USAID. While not as comprehensive as PSD-7, the QDDR was intended to demonstrate how US foreign policy objectives would be integrated with development objectives.

Although a final report from the PSD-7 process had not been made public at the time of writing, a draft version had been leaked and widely circulated in Washington. [78] A section of the report entitled *A Modern Architecture* contained a series of recommendations with this preamble; "*to ensure the effective implementation of our new policy, the U.S. will take the following steps to raise the importance of development objectives, create clear lines of authority and responsibility and generate greater coherence across the U.S. government."*

The draft version of PSD-7 proposed to elevate development so that it is an equal partner with diplomacy and defence. President Obama used the opportunity of the G-8 Muskoka summit to reinforce that view by releasing a statement outlining his views on a new approach to development." The statement said, in part, *"in his recently released National Security Strategy, development is recognized as a moral, strategic, and economic imperative for the United States and our partners. Development, diplomacy, and defence are components of a comprehensive, integrated approach to the challenges we face today".* [79]

While the extent to which USAID will achieve a greater degree of authority and independence from the State Department is still unknown, it seems probable that there will be major changes in the domestic architecture of U.S. foreign aid and development.

[78] http://www.foreignpolicy.com/files/fp_uploaded_documents/100503_2010_05_03_10_46_51.pdf
[79] http://www.whitehouse.gov/the-press-office/a-new-approach-advancing-development

Developments in Canada

Domestic aid architecture in Canada has remained essentially unchanged for more than 40 years. CIDA is the principal provider of Canadian foreign aid. But other federal departments continue to play a key role in shaping Canada's aid policies including DFAIT, Finance Canada and, increasingly, the Prime Minister's Office.

Until fairly recently, the modernizing of Canada's aid architecture had not been the subject of much attention. When the issue has been addressed, however, there are usually two options suggested as an alternative to the status quo.

One option would see the evolution of CIDA into the equivalent of UK's DFID with governing legislation and substantially increased Ministerial and departmental authority. The second option would see the integration of CIDA into the foreign aid ministry. These were the two options considered most feasible and proposed by the Senate Committee on Foreign Affairs and International Trade in their 2007 report. [80] One of the papers published in this series undertakes an in-depth comparative analysis of the UK and Norway as real-time examples of these two different approaches and assesses their relevance in the Canadian context. [81]

More recently, other approaches to reforming Canada's domestic aid architecture have been proposed.

The paper prepared for CDFAI, *Reinventing CIDA*, advocates the transfer of responsibility for aid to a newly created Crown Corporation. The new entity would have its own legislation, would receive a 5 year rather than annual budgetary appropriation and would be exempt from the reporting requirements of the Treasury Board and the Auditor General.[82] The report also suggested that the responsibility for humanitarian assistance should be transferred elsewhere.

[80] Senate report, p. 97.
[81] Gulrajani 2010.
[82] Carin and Smith, (2010). p. 41.

The *Open Canada* report published by the Canadian International Council echoed some of the recommendations of the CDFAI. [83] It also proposed the transfer of responsibility for humanitarian assistance to DFAIT and favoured the use of a Crown corporation as the organizational vehicle to deliver aid and development. In this instance, however, they recommended the creation of two different agencies one with responsibility for human development and a second with a mandate focused on economic development. Using IDRC as a model, the CIC report proposed that the two, new arm's-length agencies have independent, international Boards that would report through the Minister of Foreign Affairs.

While neither report contained a detailed assessment of the pros and cons of these approaches, they offer other interesting perspectives. All of these options warrant further analysis and comparison.

[83] Greenspon et al. (2010), p. 83.

PART IV - CONCLUSION

Mohandas Ghandi said "*you can judge a society by how they treat their weakest members*". If that maxim is applied to assess Canada's relations with the poorest citizens in the poorest countries then we have failed the test.

Not only is Canada failing the world's poor, we are failing the thousands and thousands of caring, dedicated and passionate Canadians who are committed to easing the burden of global poverty. This includes the public servants in CIDA who do the best they can with the resources they are provided with little thanks and almost constant criticism. And this includes the thousands of individual Canadian citizens who are making their contribution to international development as donors or volunteers or employees of development NGO's.

There is no question that there are many individual aid projects supported by the Canadian government that are successful, effective and making a difference in the lives of poor people around the world. But, in the same way that it is futile to gauge the health of a forest by looking at a single tree, a single aid project is not a proxy for the efficacy of the aid system as a whole.

By almost any measure one might use, Canada's foreign aid program is underperforming. A county's expenditures on foreign aid as a proportion of Gross National Income (GNI) are a simple measure of a country's generosity. In comparison to other wealthy countries, Canada's aid spending relative to GNI puts us in the bottom third of the donor members of the OECD.

Canada's current position in the bottom third of wealthy donors has not happened overnight. Our generosity as measured by aid spending has been on an inexorable downward trajectory for several decades. In the mid-eighties, Canada's aid spending was 0.5% of GNI. By the mid-nineties, it had fallen to 0.4% and by 2004-2005 aid spending had dropped again to 0.3% of GNI but at least maintained that level for the balance of the decade. With the freeze on future aid spending announced in the 2010 federal budget, however, the downward trajectory of our aid spending seems likely to continue.

Total spending isn't the only, or even the best, measure of a country's commitment to aid and development, however. But if one looks at the quality rather than the quantity of aid provided, then Canada is also failing. Of 38 major aid donors evaluated in a May 2010 World Bank study, Canada was ranked 29th in terms of the quality of our foreign aid.

Canada is, quite clearly, punching well below its weight with respect to foreign aid activities and commitments. This fact has been noted by influential, global aid and development experts, some of whom are now going public with their criticisms of Canada. At the time of the G-8 and G-20 summits, economist Jeffrey Sachs, who serves as development advisor to UN Secretary General Ban Ki-Moon, said *"I think Canada's overall development program has been very disappointing for many years".*[84]

The factors contributing to this serious underperformance are generally well known. Part II of this report reiterates the principal shortcomings of our current aid program. They have been documented in a series of studies, reports and reviews stretching back many years. The context for aid and development is very different today than it was 40 years ago, however. The previous section of this report surveyed some of the emerging challenges and opportunities that are already confronting Canada's foreign aid and development activities.

The challenges for Canadian foreign aid—old and new—suggest the need for a fundamental reform of Canada's approach to development. And yet, there is little evidence of a commitment to the kind of root-and-branch reform that will be required if Canada is to institute the kind of development program that fits the image we have of ourselves as a caring, compassionate and generous society. Many aid proponents are dispirited and even sceptical about the potential for constructive change. The role of aid and development appears to be of much less interest to parliamentarians and the media than in the past. And, an increasing number of our international allies and partners are expressing the view that Canada is no longer holding its own with respect to its global obligations to the poor. It is not an exaggeration to suggest that there is now a profound crisis of confidence in Canadian foreign aid.

[84] http://www.embassymag.ca/page/view/aidprogram-06-23-2010

If it is true, however, that every crisis brings with it opportunities, then one such opportunity may be the building of a critical mass of groups and individuals calling for fundamental reform.

The Foundation undertook this project to help "re-imagine" Canadian foreign aid in order to add our voice to the call for a complete overhaul of the aid system. Just prior to the release of this and the other papers published by the Foundation in the summer of 2010, two other respected organizations issued public calls for major reform. The Canadian International Council (CIC), in its June 2010 report, *Open Canada*, advocated the need for a "major rethink" of our development efforts. And a report released by the Canadian Defence and Foreign Affairs Institute (CDFAI) signalled the degree of change that will be required by its title *Reinventing CIDA.*

While these reports, and others, provide an informational basis for reform efforts, they will not engender change by themselves. Evidence from other jurisdictions suggests that Canada currently lacks two things that may be required before the modernization of our development program can occur. The first of these missing ingredients is public pressure for change and the second is political leadership.

Advocacy for a fundamental restructuring of Canada's approach to aid and development is much more difficult in the absence of public support for change. A public campaign advocating the need for and a framework for reform may be a precondition for a more robust and effective development program. One of the papers published in this series, *"A New National Project for Canadian Development Cooperation"* by Liam Swiss, with the assistance of Simon Maxwell, offers a set of suggestions about how such a campaign might be framed.[85]

A campaign of this nature, if it is to be successful, will almost certainly require the development of a very broad based coalition of groups and individuals. It should reflect the range of programmatic and field interests of Canadian international development NGO's as a whole. But a successful coalition will have to extend well beyond NGO's and the "usual suspects" who engage in discussions about foreign aid. It will need to involve a more inclusive group of academics, think tanks, diaspora organizations, philanthropic foundations and business leaders for whom development is not their principal area of concern or

[85] Swiss (2010).

expertise but who are concerned about global poverty and Canada's role and reputation on the world stage.

While a full blown campaign targeted to all 33 million Canadians is not feasible, the coalition must also ensure the involvement of at least some individual Canadians. While Canadians as a whole are quite uninformed about Canadian foreign aid, many thousands have demonstrated their personal interest as volunteers or donors to Canadian based international development NGO's. It is likely that very few of them will know of Canada's miserly record in aid spending or the limited effectiveness of our aid efforts. It also seems likely that few of these Canadians will find our current status acceptable.

The kind of broad based coalition for aid and development reform that I am suggesting is an ambitious exercize. Canadians might benefit and take inspiration from the experience of our American cousins, however. While the reforms to development being considered in the US and discussed in the previous section may not come to fruition, they may not have happened at all in the absence of sustained pressure from two broad based coalitions. The U.S. Global Leadership Coalition and the Modernizing Foreign Assistance Network are two concrete examples of the potential influence of such a coalition.[86] They are models that might be adapted for the Canadian context.

It is the lack of political leadership, however, that appears to be the single most significant barrier to modernization. Political leadership, in fact, is a prerequisite for the kind of systemic change that is required in Canada.

In the past, Parliamentarians engaged in development issues in a much, more substantive and constructive way than appears to be the case today. A series of reports on development were issued by House of Commons' or Special joint committees of the House and Senate. Some of these parliamentary committees were considered to have provided more thoughtful, comprehensive and constructive recommendations than emanated from the government.[87] While the Senate issued a report in 2007, it was considered by many to be a superficial analysis. And, while the party critics and other individual M.P.'s have

[86] http://www.usglc.org/ and http://modernizingforeignassistance.net/
[87] For a description of the impact of one such committee chaired by former Conservative M.P., William Winegard, see Morrison (1998), pp. 277–280.

addressed some aid related issues, Parliament, as a whole, appears to have little interest in development issues.

Ultimately, however, the kind of overhaul to our aid and development system being advocated by an increasing and diverse set of organizations depends on firm leadership from the Prime Minister.

On the basis of 50 years of experience, it is now understood that international development—true development—entails a ranges of supports and actions that enables and empowers poor people and poor countries to take charge of their own affairs. Foreign aid is a contributor to development but development entails much more than foreign aid. A commitment to a comprehensive and effective development program necessitates a whole-of-government approach that cuts across a number of federal departments and agencies. Neither the Finance Minister nor the Foreign Affairs Minister nor the Development Cooperation Minister can drive this exercise. There is only one Minister who has the authority to do what is required and that is the Prime Minister.

The Department of International Development (DFID) is widely considered to be one of the best development agencies in the world and a significant improvement over its predecessor. For that reason, DFID is often advocated as a model for Canada as the kind of development agency to which we should aspire. But the evolution of DFID to its current status is not the result of a twist of fate or a quirk. It is the outcome of clear, firm and unequivocal leadership demonstrated by then Prime Minister Blair.

The options for Canada and for the Prime Minister are clear.

We can continue with the status quo and tinker with and tweak the foreign aid program at the margins. But this also means that we are content with our current position as a relatively miserly and mediocre contributor to foreign aid. Or, we can leverage Canada's unique niche in the world and commit to an international development program that, a decade from now, will be considered as the exemplar development approach that others want to emulate. Whatever path to the modernization of Canadian foreign aid may be most appropriate, the journey will begin only when the Prime Minister takes the first step.

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